

**OVERSIGHT BOARD OF THE SUCCESSOR AGENCY OF THE
COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON**

STAFF REPORT

DATE: JANUARY 27, 2016

TO: THE HONORABLE CHAIR AND BOARD MEMBERS

FROM: EXECUTIVE DIRECTOR

**SUBJECT: APPROVAL OF THE EXECUTION AND DELIVERY OF A HOUSING
BONDS PROCEEDS FUNDING AGREEMENT BY AND BETWEEN THE
SUCCESSOR AGENCY AND THE CITY OF COMPTON**

SUMMARY

Staff respectfully requests the Board to adopt Resolution No. 2016-1 approving the Successor Agency's execution and delivery of a Housing Bonds Proceeds Funding Agreement by and between the Successor Agency and the City of Compton and authorizing staff to take certain related actions.

BACKGROUND

The former Community Redevelopment Agency of the City of Compton (the "Former Agency") issued its Compton Redevelopment Project, Second Lien Tax Allocation Bonds (Housing), Series 2010A to finance low and moderate income housing activities of benefit to the Compton Redevelopment Project. The Former Agency was dissolved pursuant to AB XI 26 and a Successor Agency was constituted. The unspent proceeds of the 2010A Bonds (the "Housing Bond Proceeds") transferred to the control of the Successor Agency pursuant to Health and Safety Code Section 34175(b), and there now remains a balance in the Successor Agency's accounts of unencumbered Housing Bond Proceeds in the amount of \$5,333,863.56.

Pursuant to the Dissolution Law, and subject to the approval of the Oversight Board and the State Department of Finance (the "DOF"), the Successor Agency and the City may enter into an agreement (the "Housing Bonds Proceeds Funding Agreement") to provide for the transfer of the remaining Housing Bond Proceeds to the City, as Housing Successor, and for the City to use the Housing Bonds Proceeds in compliance with the bond covenants and applicable law.

STATEMENT OF THE ISSUE

The City Council of the City of Compton adopted Resolution No. 23,498 on February 12, 2012, electing for the City to retain the housing assets and housing functions previously performed by

the Former Agency, as allowed by law, and thereby became the Housing Successor. The Housing Successor may designate the use of the Housing Bonds Proceeds provided that such use is consistent with the bond covenants. The designation of the Housing Bonds Proceeds must be listed on a Recognized Obligation Payment Schedule (ROPS) and the Housing Successor must provide notice to the Successor Agency regarding the designation of the Housing Bonds Proceeds. The review by the Successor Agency, the Oversight Board and the DOF of the Housing Successor's designation of Housing Bonds Proceeds shall be limited to a determination that the designation is consistent with the bond covenants and that there are sufficient funds available therefor.

Pursuant to Resolution No. 24,084, adopted on February 3, 2015, the City Council requested the transfer to the City, as Housing Successor, of Housing Bond Proceeds in the amount of \$14,856,122 for the purpose of financing affordable housing projects. Pursuant to Resolution No. 2015-005, adopted on March 3, 2015, the Oversight Board approved such transfer of Housing Bond Proceeds. Included in the DOF-approved ROPS 15-16A per various Line Items were designations of Housing Bond Proceeds for affordable housing projects. The City and the Successor Agency previously entered into a Housing Bonds Proceeds Funding Agreement to provide for the transfer of Housing Bonds Proceeds to the City. However, based upon further review of the items included on ROPS 15-16A to be funded with Housing Bonds Proceeds, a determination was made not to include funding for all such items within that Agreement. Accordingly, pursuant to that Agreement, only \$9,370,513 of the \$14,856,122 of Housing Bond Proceeds were transferred to the City for certain of the Line Items on ROPS 15-16A.

The Housing Successor and the Successor Agency desire to enter into an additional Housing Bonds Proceeds Funding Agreement to provide for the transfer of the remaining Housing Bond Proceeds to the City. Such amount is not required to satisfy enforceable obligations that have been approved in a ROPS. Notwithstanding anything to the contrary in City Council Resolution No. 24,084 or Oversight Board Resolution No. 2015-005, the City shall use such transferred Housing Bond Proceeds only for projects that are consistent with the covenants in the Trust Agreement and all applicable law, and for which there are sufficient funds available therefor.

The transfer of the remaining Housing Bond Proceeds to the City is included as a Line Item on the Successor Agency's ROPS for the annual period from July 1, 2016 to June 30, 2017 (ROPS 16-17). ROPS 16-17 is being presented to the Oversight Board for consideration and approval at this meeting pursuant to a separate resolution. Pursuant to the Housing Bond Proceeds Funding Agreement, the Successor Agency will transfer all of the remaining Housing Bond Proceeds to the City at the commencement of the upcoming ROPS 16-17 period (which begins on July 1, 2016), and the City, as Housing Successor, will use the Housing Bond Proceeds to finance affordable housing projects in a manner consistent with the bond covenants and all applicable law.

FISCAL IMPACT

Assuming the DOF's approval of the corresponding Line Item on ROPS 16-17 and the execution and delivery of the Housing Bonds Proceeds Funding Agreement by the City and Successor Agency, the Successor Agency will transfer the remaining Housing Bonds Proceeds to the City in accordance with the Housing Bonds Proceeds Funding Agreement.

ENVIRONMENTAL IMPACT

There will be no new environmental impact associated with adoption of the attached resolution.

RECOMMENDATION

That the Board adopt the attached resolution approving the execution and delivery of a Housing Bonds Proceeds Funding Agreement by and between the Successor Agency and the City of Compton and taking certain related actions.

Respectfully submitted,

DR. KOFI SEFA-BOAKYE
MANAGER

ROGER HALEY
EXECUTIVE DIRECTOR

HOUSING BONDS PROCEEDS FUNDING AGREEMENT

This HOUSING BONDS PROCEEDS FUNDING AGREEMENT (this “Agreement”), dated as of _____, 2016, is entered into by and between the City of Compton, in its capacity as the successor to the housing assets and functions of the former Community Redevelopment Agency of the City of Compton (the “Housing Successor”), and the Successor Agency to the Community Redevelopment Agency of the City of Compton (the “Successor Agency,” and together with the Housing Successor, the “Parties”).

RECITALS:

A. The former Community Redevelopment Agency of the City of Compton (the “Former Agency”) previously issued its Compton Redevelopment Project, Second Lien Tax Allocation Bonds (Housing), Series 2010A, in the principal amount of \$31,130,000 (the “2010A Bonds”).

B. The 2010A Bonds were issued pursuant to a Master Trust Agreement, dated as of June 1, 1985, by and between the Former Agency and U.S. Bank National Association, as trustee, as previously amended and supplemented, and as amended by the Sixth Supplemental Trust Agreement, dated as of June 1, 2010 (collectively, the “Trust Agreement”).

C. The 2010A Bonds were issued and sold to finance low and moderate income redevelopment housing activities with respect to the Compton Redevelopment Project (the “Project Area”).

D. Pursuant to AB X1 26 (which became effective in June 2011) and the California Supreme Court’s decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, 53 Cal. 4th 231 (2011), the Former Agency was dissolved as of February 1, 2012, and the Successor Agency was constituted, and an oversight board of the Successor Agency (the “Oversight Board”) was established. AB 1484 (which became effective in June 2012) amended and supplemented the provisions of AB X1 26.

E. Pursuant to Section 34175(b) of the California Health and Safety Code (“HSC”), all assets, properties, contracts, leases, books and records, buildings, and equipment of the Former Agency, including the unspent proceeds of the 2010A Bonds (the “Housing Bonds Proceeds”) transferred to the control of the Successor Agency by operation of law. After the previous transfer of \$9,370,513 of Housing Bonds Proceeds to the City, as Housing Successor, there remains a balance in the Successor Agency’s accounts of unencumbered Housing Bond Proceeds Bonds in the amount of \$5,333,863.56.

F. Pursuant to HSC Section 34176(a), the City Council of the City of Compton (the “City”) adopted Resolution No. 23,498 on February 12, 2012, electing for the City to retain the housing assets and housing functions previously performed by the Former Agency, as allowed by law, thereby becoming the Housing Successor.

G. HSC Section 34176(g) provides that (i) the Housing Successor may designate the use of, and commit, the Housing Bond Proceeds; provided that such use or commitment is

consistent with the bond covenants, (ii) a designation or commitment must be listed on a recognized obligation repayment schedule (“ROPS”), (iii) the Housing Successor must provide notice to the Successor Agency regarding a designation or commitment before submitting the ROPS to the Oversight Board, and (iv) review by the Successor Agency, the Oversight Board and the State Department of Finance (the “DOF”) of the Housing Successor’s designations and commitments shall be limited to a determination that the designations and commitments are consistent with bond covenants and that there are sufficient funds available therefor.

H. Pursuant to Resolution No. 24,084, adopted on February 3, 2015, the City Council of the City, acting in its capacity as the Housing Successor, requested the transfer of Housing Bonds Proceeds in the amount of \$14,856,122 to the Housing Successor to finance low and moderate income housing developments in the community and pursuant to Resolution No. 2015-005, adopted on March 3, 2015, the Oversight Board approved such transfer.

I. Included in the DOF-approved ROPS 15-16A per various Line Items were designations of Housing Bonds Proceeds for affordable housing projects of benefit to the Project Area. The City and Successor Agency previously entered into a Housing Bonds Proceeds Funding Agreement to provide for the transfer of the Housing Bonds Proceeds to the City. However, based upon further review of the items on ROPS 15-16A to be funded with Housing Bonds Proceeds, a determination was made not to include funding for all such items within that Agreement. Accordingly, pursuant to that Agreement only \$9,370,513 of the \$14,856,122 of Housing Bonds Proceeds were transferred to the City for certain of the Line Items on ROPS 15-16A.

J. The Housing Successor and the Successor Agency desire to enter into this additional Agreement to provide for the purpose of transferring the remaining Housing Bonds Proceeds in the amount of \$5,333,863.56 to the Housing Successor. Such amount is not required to satisfy enforceable obligations that have been approved in ROPS. Notwithstanding anything to the contrary in City Council Resolution No. 24,084 or Oversight Board Resolution No. 2015-005, the Housing Successor shall use such transferred Housing Bonds Proceeds for projects that are consistent with the covenants in the Trust Agreement and all applicable law, and for which there are sufficient funds available therefor.

K. [Resolution No. ____, adopted by the Oversight Board on ____, 2016, approving the Successor Agency’s execution and delivery of this Agreement was approved [deemed approved] by the DOF pursuant to HSC Section 34179(h) on ____, 2016.]

NOW, THEREFORE, THE PARTIES DO HEREBY AGREE AS FOLLOWS:

Section 1. The Successor Agency has prepared ROPS 16-17 for the fiscal period from July 1, 2016 through June 30, 2017 (the ROPS 16-17 Period”). Included as a Line Item in ROPS 16-17 is the transfer of the remaining Housing Bonds Proceeds to the City, as Housing Successor, for the costs of increasing, improving and preserving affordable housing within or of benefit to the Project Area.

Section 2. At the commencement of the ROPS 16-17 Period, or as soon thereafter as practical, the Successor Agency shall transfer to the Housing Successor the remaining Housing Bonds Proceeds in the aggregate amount approved by the DOF pursuant to ROPS 16-17.

Section 3. Upon receipt of the Housing Bonds Proceeds pursuant to Section 2, the Housing Successor shall deposit such funds into the Low and Moderate Income Housing Asset Fund, which fund has been established and is maintained by the Housing Successor pursuant to HSC Sections 34176 and 34176.1.

Section 4. The Housing Successor covenants that it shall use the Housing Bonds Proceeds received pursuant to Section 2 solely for projects that are consistent with the covenants in the Trust Agreement, including, but not limited to, any covenants regarding the tax-exempt status of interest on the 2010A Bonds under the Internal Revenue Code of 1986, as amended, and any regulations promulgated, and all applicable law, and for which there are sufficient funds available therefor.

Section 5. Each Party shall maintain books and records regarding its duties pursuant to this Agreement. Such books and records shall be available for inspection by the officers and agents of the other Party at all reasonable times.

Section 6. The Parties agree to take all appropriate steps and execute any documents which may reasonably be necessary or convenient to implement the intent of this Agreement.

Section 7. This Agreement may be amended from time to time by written instrument executed by both Parties.

Section 8. No official, agent, or employee of the Successor Agency or the City (whether or not acting in its capacity as the Housing Successor), or members of the City Council, or members of the Successor Agency Board of Directors or Oversight Board shall be individually or personally liable for any payment hereunder in the event of any default or breach by the Successor Agency or the Housing Successor, or for any amount which may otherwise become due to the Housing Successor or Successor Agency, or successor thereto, or on any obligations under the terms of this Agreement.

Section 9. This Agreement is made in the State of California under the Constitution and laws of the State of California, and is to be so construed.

[Signatures on next page]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized officers.

**SUCCESSOR AGENCY TO THE
COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON**

By _____
Executive Director

ATTEST:

Secretary

CITY OF COMPTON, as Housing Successor

By _____
Mayor

ATTEST:

City Clerk

APPROVED:

**OVERSIGHT BOARD OF THE
SUCCESSOR AGENCY TO THE
COMMUNITY REDEVELOPMENT
AGENCY OF THE CITY OF COMPTON**

By _____
Chair

Date: _____

RESOLUTION NO. 2016-1

A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON APPROVING THE EXECUTION AND DELIVERY OF A HOUSING BONDS PROCEEDS FUNDING AGREEMENT BY AND BETWEEN THE SUCCESSOR AGENCY AND THE CITY OF COMPTON AND TAKING CERTAIN RELATED ACTIONS

WHEREAS, the former Community Redevelopment Agency of the City of Compton (the “Former Agency”) previously issued its Compton Redevelopment Project, Second Lien Tax Allocation Bonds (Housing), Series 2010A, in the principal amount of \$31,130,000 (the “2010A Bonds”);

WHEREAS, the 2010A Bonds were issued pursuant to a Master Trust Agreement, dated as of June 1, 1985, by and between the Former Agency and U.S. Bank National Association, as trustee, as previously amended and supplemented, and as amended by the Sixth Supplemental Trust Agreement, dated as of June 1, 2010 (collectively, the “Trust Agreement”);

WHEREAS, the 2010A Bonds were issued and sold to finance low and moderate income housing activities with respect to the Compton Redevelopment Project (the “Project Area”);

WHEREAS, pursuant to AB X1 26 (which became effective in June 2011) and the California Supreme Court’s decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, 53 Cal. 4th 231 (2011), the Former Agency was dissolved as of February 1, 2012, and the Successor Agency was constituted, and an oversight board of the Successor Agency (the “Oversight Board”) was established. AB 1484 (which became effective in June 2012) amended and supplemented the provisions of AB X1 26;

WHEREAS, pursuant to Section 34175(b) of the California Health and Safety Code (“HSC”), all assets, properties, contracts, leases, books and records, buildings, and equipment of the Former Agency, including the unspent proceeds of the 2010A Bonds (the “Housing Bond Proceeds”) transferred to the control of the Successor Agency by operation of law. After the previous transfer of \$9,370,513 of Housing Bonds Proceeds to the City, as Housing Successor, there remains a balance in the Successor Agency’s accounts of unencumbered Housing Bonds Proceeds in the amount of \$5,333,863.56;

WHEREAS, pursuant to HSC Section 34176(a), the City Council of the City of Compton (the “City”) adopted Resolution No. 23,498 on February 12, 2012, electing for the City to retain the housing assets and housing functions previously performed by the Former Agency, as allowed by law, thereby becoming the Housing Successor;

WHEREAS, HSC Section 34176(g) provides that (i) the Housing Successor may designate the use of, and commit, the Housing Bonds Proceeds; provided that such use or commitment is consistent with the bond covenants, (ii) a designation or commitment must be listed on a Recognized Obligation Payment Schedule (ROPS), (iii) the Housing Successor must provide notice to the Successor Agency regarding a designation or commitment before submitting the ROPS to the Oversight Board, and (iv) review by the Successor Agency, the Oversight Board and the State Department of Finance (the “DOF”) of the Housing Successor’s designations and commitments shall be limited to a determination that the designations and commitments are consistent with bond covenants and that there are sufficient funds available therefor;

WHEREAS, pursuant to Resolution No. 24,084, adopted on February 3, 2015, the City Council requested the transfer of Housing Bond Proceeds to the City, as Housing Successor, in the amount of \$14,856,122 to finance low and moderate income housing developments and pursuant to Resolution No. 2015-005, adopted on March 3, 2015, the Oversight Board approved such transfer;

WHEREAS, included in the DOF-approved ROPS 15-16A per various Line Items were designations of Housing Bonds Proceeds for affordable housing projects of benefit to the Project Area. The City and Successor Agency previously entered into a Housing Bonds Proceeds Funding Agreement to provide for the transfer of the Housing Bonds Proceeds to the City. However, based upon further review of the items on ROPS 15-16A to be funded with Housing

Bonds Proceeds, a determination was made not to include funding for all such items within that Agreement. Accordingly, pursuant to that Agreement only \$9,370,513 of the \$14,856,122 of Housing Bonds Proceeds were transferred to the City for certain of the Line Items on ROPS 15-16A; and

WHEREAS, the City and Successor Agency desire to enter into an additional Housing Bonds Proceeds Funding Agreement for the purpose of transferring the remaining Housing Bonds Proceeds to the City in the amount of \$5,333,863.56. Such amount is not required to satisfy enforceable obligations that have been approved in a ROPS. Notwithstanding anything to the contrary in City Council Resolution No. 24,084 or Oversight Board Resolution No. 2015-005, the Housing Successor shall use such transferred Housing Bonds Proceeds solely for projects that are consistent with the covenants in the Trust Agreement and all applicable law and for which there are sufficient funds available therefor;

NOW, THEREFORE, THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON HEREBY FINDS, DETERMINES, RESOLVES, AND ORDERS AS FOLLOWS:

Section 1. The above recitals are true and correct and are a substantive part of this Resolution.

Section 2. This Oversight Board hereby approves the execution and delivery by the Successor Agency of the Housing Bonds Proceeds Funding Agreement, substantially in the form attached hereto as Exhibit A.

Section 3. The members of this Oversight Board and the staff of the Successor Agency are hereby authorized, jointly and severally, to do all things which they may deem necessary or proper to effectuate the purposes of this Resolution and the Housing Bonds Proceeds Funding Agreement.

ADOPTED this ____ day of _____, 2016.

**CHAIRPERSON OF THE OVERSIGHT BOARD
TO THE SUCCESSOR AGENCY TO THE
COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON**

ATTEST:

**SECRETARY TO THE OVERSIGHT BOARD
OF THE SUCCESSOR AGENCY TO THE
COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON**

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss
CITY OF COMPTON)

I, Estevan Padilla, Secretary to the Oversight Board of the Successor Agency to the Community Redevelopment Agency of the City of Compton, hereby certify that the foregoing resolution was adopted by the Board, signed by the Chairperson, and attested by the Secretary at the _____ meeting thereof held on the ____ day of _____, 2016.

That said resolution was adopted by the following vote, to wit:

AYES:

NOES:

ABSENT:

**SECRETARY TO THE OVERSIGHT BOARD
OF THE SUCCESSOR AGENCY TO THE
COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON**

Exhibit A – Housing Bonds Proceeds Funding Agreement

EXHIBIT A

HOUSING BONDS PROCEEDS FUNDING AGREEMENT

(in substantial final form)